

**TOWN OF LEIPSIC**  
**AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**



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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Town of Leipsic  
Town Hall, 207 Main Street  
Leipsic, Delaware

We have performed the procedures enumerated below, which were agreed to by the Town of Leipsic, State of Delaware's Office of Auditor of Accounts, Department of Safety and Homeland Security, and the Office of the State Treasurer, solely to assist the specified parties with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2009. The Town of Leipsic's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

1. Complete the State of Delaware Office of Auditor of Accounts municipal grants agreed-upon procedures program to determine the Town of Leipsic's compliance with applicable laws, regulations and financial reports related to municipal grant funds received for the year ended June 30, 2009 and detail any instances of noncompliance.

The Town of Leipsic received municipal grant funds under the following programs for the year ended June 30, 2009:

Municipal Street Aid

### **FINDING NO. 09-1 - Internal Control Weakness**

#### **Criteria**

The State of Delaware *Budget and Accounting Manual* Chapter II requires that the responsibility for a transaction or activity be divided among different parties so that no one employee has complete control over the processing of transactions. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties. While ideal separation of duties is not always possible, an organization should strive to separate key functions and provide for increased oversight for the processing of transactions.

#### **Condition**

The Town of Leipsic's Treasurer and Mayor control all the cash functions for the municipal street aid funds.

#### **Cause**

The Town of Leipsic lacks the personnel necessary to provide an ideal separation of duties.

#### **Effect**

The Town of Leipsic's failure to properly segregate duties increases the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

#### **Recommendation**

The Town of Leipsic should have the bank reconciliation performed by a third party to ensure segregation of duties.

#### **Auditee Response**

*The Town of Leipsic lacks the personnel necessary to provide an ideal separation of duties.*

### **FINDING # 09-2 - Reports Filed Late**

#### **Criteria**

Per Title 30, Delaware Code, Section 5165(b)(2), each municipality shall, "In a form prescribed by the State Treasurer, submit an accurate and complete annual report not later than October 1 of each year to the State Treasurer showing expenditures of municipal street aid funds for the preceding fiscal year ended June 30. Such form shall itemize each expenditure as represented on said form as "Other expenditures.""

#### **Condition**

The Town of Leipsic did not submit the required annual report to the State Treasurer by October 1.

**Cause**

The Town of Leipsic misunderstood the filing requirement. Because no municipal street aid funds were distributed in the current fiscal year, the treasurer believed no annual report was required to be filed.

**Effect**

The Town of Leipsic's failure to timely file the annual report could result in the loss or delay of grant funding.

**Recommendation**

The Town of Leipsic should ensure the annual report is filed on or before October 1.

**Auditee Response**

*Now having full understanding of municipal street aid report guidelines, all reports will be turned in on, or before their due date.*

2. Address the status of any findings and recommendations disclosed in previous reports.

**FINDING NO. 06-1** During completion of the Town of Leipsic's program checklist for the Municipal Street Aid grant, it was noted that their cash internal control structure over Municipal Street Aid has no segregation of duties due to lack of personnel. The Town's Treasurer and Mayor control all the cash functions for the Town, which is a reportable internal control weakness that does not properly maintain and safeguard Municipal Street Aid funds. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

**CURRENT YEAR STATUS** See finding 09-1.

**FINDING NO. 06-2** During completion of the Town of Leipsic's program checklist for the Municipal Street Aid grant, it was noted that the Town paid an invoice more than 30 days after receipt of the invoice, which is not in compliance with the State's regulations over disbursements [29 Del. C. §6516(d)]. Late fee charges of \$5.28 were incurred by the Town due to the late payment.

**CURRENT YEAR STATUS** All invoices were paid timely in the current year.

**FINDING NO. 06-3** As noted in Finding No. 06-2, the Town used Municipal Street Aid funds to pay a utility company \$5.28 for late fee charges, which is not an allowable expenditure ([30 Del. C. §5165(a)] and "Guidelines for Municipal Street Aid Funding").

**CURRENT YEAR STATUS** No late charges were incurred in the current year.

**FINDING NO. 06-4** During completion of the Town of Leipsic's program checklist for the Municipal Street Aid grant, it was noted that their financial report was submitted timely to the Office of the State Treasurer, but the financial report was not accurately prepared or reviewed [30 Del. C. §5165(b)(2)]. Expenditures were understated by \$100.00 and the ending balance was overstated by \$100.00 on the annual report. Also, late fees of \$5.28 were improperly classified as lighting expense on the annual report. Failure to prepare accurate financial reports could result in the loss of grant funding.

**CURRENT YEAR STATUS** The annual report was accurately prepared for the current year.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Leipsic's management and council members, the State of Delaware's Office of Auditor of Accounts, Department of Safety and Homeland Security, and the Office of the State Treasurer and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, reading "Sparano, Vincellette, Villano".

Wilmington, Delaware  
January 6, 2010